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**CHOCTAW ROAD LANDFILL**  
(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

**AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/18/07

**CHOCTAW ROAD LANDFILL**  
**(A Joint Venture of the Washington Parish Government**  
**and the City of Bogalusa)**  
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**December 31, 2006**

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# *Kushner LaGraize, L.L.C.*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

**Choctaw Road Landfill  
Franklinton, Louisiana**

We have audited the accompanying basic financial statements of the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Choctaw Road Landfill's management. Our responsibility is to express an opinion of these basic financial statements based on our audit.

We conducted an audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Choctaw Road Landfill as of December 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2007 on our consideration of the Choctaw Road Landfill's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral report of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
June 26, 2007

**CHOCTAW ROAD LANDFILL**  
**(A Joint Venture of the Washington Parish Government**  
**and the City of Bogalusa)**  
Franklinton, Louisiana  
Management's Discussion and Analysis

This section of Choctaw Road Landfill's annual financial report presents our discussion and analysis of the Landfill's financial performance during the fiscal year that ended on December 31, 2006. Please read it in conjunction with the Landfill's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The operation cost increase is per a contractual stipulation July 1st of each year. The closure and post-closure care cost has decreased because construction was completed on Cells four and five and the closure of Cell three cost less than anticipated. Engineering cost increased due the fact that the engineers were working on both the Louisiana Department of Environmental Quality (LDEQ) permit and also in the final stage of completion of Cells four and five.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts - management's discussion and analysis (this section) and the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

***Basic Financial Statements***

The basic financial statements report the Landfill's net assets and how they have changed. Net assets - the difference between the Landfill's assets and liabilities - is one way to measure the Landfill's financial health or position.

**FINANCIAL ANALYSIS OF THE LANDFILL AS A WHOLE**

Net assets of the landfill have increased 105.1 percent to \$2,075,034. However, all of those net assets are either restricted as to the purposes they can be used for, or are invested in capital assets (land, building, cells, and other). Consequently, restricted and unrestricted net assets showed an increase in the deficit of \$125,834 (\$125,287 + 547) at the end of 2006 (see Table A-1). This deficit does not mean that the Landfill does not have resources available to pay its bills next year. Rather, it is the result of having a long-term commitment (landfill closure and post-closure care costs) that is greater than currently available resources.

**TABLE A-I**  
**CHOCTAW ROAD LANDFILL'S ASSETS**

	<u>2006</u>	<u>2005</u>	Total % change <u>2005 - 2006</u>
CURRENT ASSETS	\$ 1,184,479	\$ 445,687	165.8%
NON CURRENT ASSETS	136,855	131,559	4.0%
CAPITAL ASSETS	<u>2,200,868</u>	<u>1,246,096</u>	76.6%
TOTAL ASSETS	<u>\$ 3,522,202</u>	<u>\$ 1,823,342</u>	93.2%
CURRENT LIABILITIES	\$ 1,185,026	\$ 559,957	111.6%
NON CURRENT LIABILITIES	<u>262,142</u>	<u>262,333</u>	(0.07)%
TOTAL LIABILITIES	<u>1,447,168</u>	<u>822,290</u>	76.0%
NET ASSETS			
Invested in capital assets, net of related debt	2,200,868	1,246,096	76.6%
Restricted for closure & post-closure	(125,287)	(130,774)	4.7%
Unrestricted	<u>(547)</u>	<u>(114,270)</u>	(99.5)%
TOTAL NET ASSETS	<u>\$ 2,075,034</u>	<u>\$ 1,001,052</u>	107.3%

***Changes in net assets***

The Landfill's funding sources are tipping fees generated from a \$20 a ton fee billed to commercial customers which fund 37% of the expenditures with the remaining balance being funded by the City of Bogalusa at 41.9% and the Washington Parish Government at 58.1%.

**TABLE A-2****CHANGES IN CHOCTAW ROAD LANDFILL'S NET ASSETS**

	<u>2006</u>	<u>2005</u>	Total % change <u>2005 - 2006</u>
OPERATING REVENUES			
PROGRAM REVENUES			
Tipping fees	\$ <u>387,777</u>	\$ <u>205,433</u>	88.8%
TOTAL OPERATING REVENUES	387,777	205,433	88.8%
OPERATING EXPENSES			
Sanitation	<u>1,048,471</u>	<u>1,014,712</u>	3.3%
TOTAL OPERATING EXPENSE	<u>1,048,471</u>	<u>1,014,712</u>	3.3%
Excess (deficiency before special items and subsidies)	(660,694)	(809,279)	(18.4)%
NON-OPERATING REVENUES			
Interest income	11,057	4,810	129.9%
Sale of timber	8,258	19,205	(57.0)%
Subsidies by participants:			
Washington Parish Government	996,625	508,375	96.0%
City of Bogalusa	<u>718,736</u>	<u>366,625</u>	96.0%
TOTAL NON-OPERATING REVENUE	<u>1,734,676</u>	<u>899,015</u>	93.0%
INCREASE IN NET ASSETS	<u>\$ 1,073,982</u>	<u>\$ 89,736</u>	1096.8%

**Capital Assets**

Most of the landfill's capital assets at the end of 2006 (\$5,056,107) were in cells (\$4,194,072) or 83%, see Table A-3. The items acquired during 2006 follows:

**TABLE A-3****CHANGES IN CHOCTAW ROAD LANDFILL'S NET ASSETS**

	<u>2006</u>	<u>2005</u>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>		
Land	\$ 15,000	\$ 15,000
Cells and land work	<u>1,625,356</u>	<u>562,360</u>
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>1,640,356</u>	<u>577,360</u>
<b>OTHER CAPITAL ASSETS</b>		
Land	292,712	292,712
Buildings	233,376	233,376
Cells and land work	2,568,716	2,583,374
Drop off facility	185,575	185,575
Equipment	<u>135,372</u>	<u>115,490</u>
<b>TOTAL OTHER CAPITAL ASSETS</b>	<u>3,415,751</u>	<u>3,410,527</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>\$ 5,056,107</u>	<u>\$ 3,987,887</u>

***Long-Term Debt***

Closure and post-closure care cost have decreased due to the closure of Cell three costing less than anticipated.

***Economic Factors and Next Year's Rates***

Both the City of Bogalusa and Washington Parish Government's funding sources for subsidizing the Landfill are restricted, and therefore, will continue to be adequate in funding the project. The tipping fee rate of \$20 a ton is to remain in place.

***Contacting Choctaw Road Landfill's Financial Management***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Landfill's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Washington Parish Government, 909 Pearl Street, Franklinton, Louisiana 70438.



## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **STATEMENT OF NET ASSETS**

December 31, 2006

#### **ASSETS**

##### **CURRENT ASSETS**

Cash and cash equivalents	\$ 316,495
Tipping fees receivable	149,248
Due from City of Bogalusa	<u>718,736</u>

**TOTAL CURRENT ASSETS** 1,184,479

##### **NONCURRENT ASSETS**

Restricted assets - (Certificates of Deposits for landfill closure and post-closure care costs)	136,855
Capital assets, net of depreciation	<u>2,200,868</u>

**TOTAL NONCURRENT ASSET** 2,337,723

**TOTAL ASSETS** 3,522,202

#### **LIABILITIES**

##### **CURRENT LIABILITIES**

Accounts payable	160,881
Due to Washington Parish Government	<u>1,024,145</u>

**TOTAL CURRENT LIABILITIES** 1,185,026

##### **NONCURRENT LIABILITIES**

Landfill closure and post-closure care costs	<u>262,142</u>
--	----------------

**TOTAL LIABILITIES** 1,447,168

##### **NET ASSETS**

Invested in capital assets	2,200,868
Restricted for closure and post-closure care costs (deficit)	(125,287)
Unrestricted (deficit)	<u>(547)</u>

**TOTAL NET ASSETS** \$ 2,075,034

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS** *For the Year Ended December 31, 2006*

OPERATING REVENUE	
Tipping fees	\$ 387,777
OPERATING EXPENSES	
Landfill operations contract	581,184
Consulting fees	950
Depreciation	113,448
Dues and subscriptions	467
Estimated current cost of landfill closure and post-closure care costs	(191)
Engineering and testing	186,673
Salary and benefits	83,097
Insurance	34,112
Utilities	13,237
Repairs and maintenance	17,690
Office supplies	2,077
Accounting and auditing	5,507
Permits	4,507
Conference and travel	379
Miscellaneous	<u>5,334</u>
TOTAL OPERATING EXPENSES	<u>1,048,471</u>
OPERATING INCOME (LOSS)	(660,694)
NONOPERATING REVENUES	
Interest	11,057
Sale of timber	8,258
Subsidies by participants	
Washington Parish Government	996,625
City of Bogalusa	<u>718,736</u>
TOTAL NONOPERATING REVENUES	<u>1,734,676</u>
CHANGE IN NET ASSETS	1,073,982
NET ASSETS - BEGINNING OF YEAR	<u>1,001,052</u>
NET ASSETS - END OF YEAR	<u>\$ 2,075,034</u>

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **STATEMENT OF PARTICIPANTS' EQUITY**

*For the Year Ended December 31, 2006*

	Washington Parish Government <u>58.1%</u>	City of Bogalusa <u>41.9%</u>	Total <u>100%</u>
BALANCE, JANUARY 1, 2006	\$ 581,612	\$ 419,440	\$ 1,001,052
NET INCOME FOR THE YEAR	<u>623,983</u>	<u>449,999</u>	<u>1,073,982</u>
BALANCE, December 31, 2006	<u>\$ 1,205,595</u>	<u>\$ 869,439</u>	<u>\$ 2,075,034</u>

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **STATEMENT OF CASH FLOWS**

*For the Year Ended December 31, 2006*

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 295,548
Payments to suppliers	<u>(310,146)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES (14,598)

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Capital expenditures	(1,068,220)
Investment in certificate of deposit	(5,295)
Sale of timber	8,258
Interest	<u>11,057</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES (1,054,200)

#### **CASH FLOWS FROM FINANCING ACTIVITIES**

Participants' subsidies	<u>1,361,215</u>
-------------------------	------------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 292,417

BALANCES - BEGINNING OF YEAR 24,078

BALANCES - END OF YEAR 316,495

#### **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	(660,694)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	113,448
Increase in accounts receivable	(92,229)
Increase in due to Washington Parish Government	759,580
Decrease in accounts payable	(134,512)
Decrease in closure and post-closure care costs	<u>(191)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (14,598)

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT**

*Ended December 31, 2006*

#### **ORGANIZATION**

During 1985, the Washington Parish Government (the Parish Government), and the City of Bogalusa (the City), entered into a verbal agreement for the construction and operation of the Choctaw Road Landfill (the joint venture). In 1998, this agreement was formalized in writing. The landfill was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenues, and operating costs were 58.1% for the Parish Government and 41.9% for the City.

Parish Government is the "managing partner" and is responsible for the day to day operations of the joint venture. The Joint Venture Committee, which is comprised of council members of the City and Parish Government, meet periodically to discuss landfill operations. The members of the committee keep their respective governments informed about landfill operations. Both governments must agree on anything other than normal operations.

In December 2000, Washington Parish Government and the City of Bogalusa, entered into an agreement with Landworks, Inc. to carry out the daily operations of the Choctaw Road Landfill for the life of Cell No. 3 or approximately ten years, whichever event shall occur last. Upon termination of the contract, the parties may by mutual agreement, extend this contract for an additional period of time, not to exceed ten years.

The landfill operates on a "cell basis", that is, only a portion or "cell" of the landfill is used at a time. Certain materials and equipment used to contain the waste and monitor the environmental effect of landfill operations, such as liners and leachate collection systems, are installed before the cell is ready to receive waste in accordance with federal and state requirements. Final cover is applied to each cell once it is filled to capacity. The first and second cells have been covered, and the third cell is expected to be closed in early 2007. Construction was completed on cells four and five in September 2006. The present landfill site has an estimated nine cell capacity and an estimated useful life of 46.75 years.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation***

The accompanying financial statements of the Choctaw Road Landfill have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

#### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **Reporting Entity**

GASB Statement No. 14 established standards for defining and reporting on the financial entity, and established standards for reporting participation in joint ventures. It defined a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility." Statement No. 14 also established that such joint ventures are stand-alone reporting entities. Therefore, the Choctaw Road Landfill has applied the provisions of Statement No. 14 as if it were a primary government.

##### **Fund Accounting**

The Joint Venture is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or, recovered primarily through user charges and subsidies by the participants.

##### **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues - Tipping fees (landfill use fees) are recorded as revenue when earned. Participants' subsidies are recorded as revenue when billed.

Expenditures - All operating expenses, except depreciation and the current cost for closure and post-closure care, are recorded when they are incurred. Depreciation and the current cost for closure and post-closure are recorded at year-end.

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

Ended December 31, 2006

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### ***Cash and Investments***

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Joint Venture may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

##### ***Capital Assets***

Capital assets are included on the balance sheet at cost, and are generally depreciated over their useful life, using the straight-line method. However, capital assets that are used exclusively for the landfill and that are excluded from the calculation of the estimated total current costs of closure and post-closure care are depreciated at a rate to be fully depreciated by the time that the landfill stops accepting solid waste. Capitalized facilities and equipment installed or constructed for a single cell are depreciated over the estimated useful life of that cell. Assets that cost \$1,000 or more, with at least a five-year life are capitalized.

All capital assets, other than land not being used as a cell, are depreciated using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Landfill property	47.5 years
Cells and land work	6.5 years
Buildings	34-45 years
Equipment	5-10 years

##### ***Net Assets***

In proprietary fund financial statements, equity is classified as net assets and displayed in three components:

- A. Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### ***Net Assets - cont'd***

- B. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net assets - all other net assets that do not meet the definition of restricted or invested in capital assets of related debt.

The Choctaw Road Landfill has a net asset deficit of \$125,834 at December 31, 2006. This net asset deficit resulted from the recognition in the financial statements of a liability of \$262,142 post-closure care costs. This liability represents accruals calculated according to estimates of annual post-closure care costs provided by the Landfill's engineer. The joint venture has invested \$136,855 in certificates of deposit for landfill closure in post-closure care costs.

##### ***Compensated Absences***

One employee of the Washington Parish Government has been assigned to the Choctaw Road Landfill. The joint venture has no employees, and no liability for compensated absences.

##### ***Risk Management***

The Joint Venture is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. Management is of the opinion that any such losses would be covered by the existing insurance of the Washington Parish Government and the City of Bogalusa. In addition, the Joint Venture carries a separate insurance policy for environmental liability.

##### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.



## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

#### **NOTE 2 - CASH AND CASH EQUIVALENTS**

At December 31, 2006, Choctaw Road Landfill had cash and cash equivalents (book balances) totaling \$316,495 as follows:

Interest-bearing demand deposit	<u>\$316,495</u>
Total	<u>\$316,495</u>

This account is stated at cost, which approximates market. Under state law, this account (or the resulting bank balance) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2006, the Joint Venture had \$323,092 on deposit (collected bank balance). This account is secured from risk by \$100,000 of federal deposit insurance. The remainder of \$223,092 is secured by collateral held by the pledging financial institutions trust department in Washington Parish's name.

#### **NOTE 3 - INVESTMENTS**

At December 31, 2006, the Choctaw Road Landfill had invested \$136,855 in Certificates of Deposit. The investment is secured from risk by \$100,000 of federal deposit insurance. The remainder of \$36,855 is secured by collateral held by the pledging financial institutions agent in the Landfill's name.

#### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of two types of receivables. Tipping fees (landfill use fees) totalling \$149,248 represents fees billed through December 31, 2006, but not yet collected. The remaining \$718,736 is due from the City of Bogalusa which represents their portion of uncollected appropriations and reimbursements according to the joint venture agreement.

All fees are considered collectible, therefore, an allowance for doubtful accounts is not recorded.

## CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED

Ended December 31, 2006

#### NOTE 5 - CAPITAL ASSETS

Capital assets consists of the following:

	Balance at <u>01/01/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/06</u>
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Cells and land work	562,360	1,062,996	-	1,625,356
Other Capital Assets				
Land	292,712	-	-	292,712
Buildings	233,376	-	-	233,376
Cells and land work	2,583,374	-	14,658	2,568,716
Drop off facility	185,575	-	-	185,575
Equipment	<u>115,490</u>	<u>19,882</u>	<u>-</u>	<u>135,372</u>
 TOTAL CAPITAL ASSETS	 3,987,887	 1,082,878	 14,658	 5,056,107
 ACCUMULATED DEPRECIATION	 <u>(2,741,791)</u>	 <u>(113,448)</u>	 <u>-</u>	 <u>(2,855,239)</u>
 TOTAL CAPITAL ASSETS, NET	 <u>\$ 1,246,096</u>	 <u>\$ 969,430</u>	 <u>\$ 14,658</u>	 <u>\$ 2,200,868</u>

#### NOTE 6 - CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Washington Parish Government to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In addition to operating expenses relating to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated total current cost liability for landfill closure and post-closure care costs is \$700,352 as of December 31, 2006. It is estimated that \$247,116 will be recognized as closure costs, which is based on 37.43 percent usage (filled) of the landfill. The percentage usage reflects an update in the engineering estimate, and the related estimated liability for landfill closure and post-closure costs required by the Louisiana Department of Environmental Quality (LDEQ) regulations. The remaining \$453,235 is the

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

#### **NOTE 6 - CLOSURE AND POST-CLOSURE CARE COSTS - Continued**

estimated liability for post-closure care costs. However, the actual cost of closure and post-closure care may be higher due to inflation, in excess of the assumed rate of 2%, over the 30-year post-closure period, changes in technology, or changes in landfill laws and regulations. In addition, total closure and post-closure costs, as well as estimates of percentage usage of the landfill, will change as any additional cells are permitted to accept additional waste.

There was a decrease in costs of approximately 5.8 percent between the end of 2005 and the end of 2006. These changes are primarily due to the availability of better information regarding the closure of Cell 3.

Cumulative capacity used is defined as the number of years Choctaw Road Landfill has actually been operating under the permit issued by the LDEQ. Total estimated capacity is defined as the life of the entire property as stated in the current permit issued by LDEQ.

The estimated total current cost of the landfill is recognized as an expense and as a liability in each period that the landfill accepts solid waste. The current-period amount was based on the following formula:

Estimated total current cost	X	Cumulative <u>capacity used</u> Total estimated capacity	-	Amount previously recognized
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Expressed in numbers, the formula produces a negative cost for 2006 as follows:

$$\begin{array}{rcll} \$700,352 & \times & \frac{17.50 \text{ yrs.}}{46.75 \text{ yrs.}} & = \\ & & & = \$262,142 - 262,333 = \$(191.24) \end{array}$$

At December 31, 2006, the joint venture had invested \$136,855 in certificates of deposit for landfill closure and post-closure care costs. Further, the Washington Parish Council passed a resolution on April 14, 2003, to add 1/30 of the closure and post-closure costs at December 31st of each year to the certificate of deposit for the next 30 years. The investment for 2005 and 2006 was not made, but is expected to be made in 2007.

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

#### **NOTE 7 - PARTICIPANTS' SOURCES OF LANDFILL SUBSIDIES**

Both participants have dedicated tax revenues that are available to fund the Joint Venture.

Washington Parish Government receives a 0.67% sales tax imposed parish wide, excluding the City of Bogalusa, that is available to pay the costs of providing, maintaining, operating, constructing, acquiring and/or improving solid waste facilities. The sales tax is for an indefinite period, and generates annual revenue of approximately \$1,700,000.

The City of Bogalusa receives a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities. The tax expires in 2011, and generates annual revenue of approximately \$285,000.

# *Kushner LaGraize, L.L.C.*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Choctaw Road Landfill  
Franklinton, Louisiana

We have audited the financial statements of Choctaw Road Landfill (Landfill), a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Landfill's internal control over financial reporting basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Landfill's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Landfill's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Landfill's financial statements that is more than inconsequential will not be prevented or detected by the Landfill's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Landfill's internal control.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Landfill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of Choctaw Road Landfill's management and the office of the Louisiana Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
June 26, 2007

## **CHOCTAW ROAD LANDFILL**

(A Joint Venture of the Washington Parish Government  
and the City of Bogalusa)

### **NOTES TO THE BASIC FINANCIAL STATEMENT - CONTINUED**

*Ended December 31, 2006*

We have audited the financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2006 resulted in an unqualified opinion.

#### **SECTION I - SUMMARY OF AUDITOR'S REPORTS**

##### **a. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses [ ☐ ] Yes [X] No

Reportable Conditions [ ☐ ] Yes [X] No

#### **SECTION II - FINANCIAL STATEMENTS OF FINDINGS**

No matters were reported.